

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6032

BILL NUMBER: SB 38

NOTE PREPARED: Oct 27, 2008

BILL AMENDED:

SUBJECT: Coverage for Smoking Cessation Drugs.

FIRST AUTHOR: Sen. Lanane

FIRST SPONSOR:

BILL STATUS: As Introduced

**FUNDS AFFECTED: X GENERAL
DEDICATED
FEDERAL**

IMPACT: State & Local

Summary of Legislation: This bill requires a state employee health benefit plan, a policy of accident and sickness insurance, and a health maintenance organization (HMO) contract that provides coverage for prescription drugs to provide coverage for smoking cessation drugs.

Effective Date: July 1, 2009.

Explanation of State Expenditures: As of October 2008, the state enrolled 30,982 state employees in benefit plans from two carriers: Anthem and Wellborn. Providing coverage for prescription drugs for smoking cessation would result in estimated additional premiums for the two plans of \$199,002.

This increase may not necessarily imply additional budgetary outlays since the state's response to increased health benefit costs may include (1) greater employee cost-sharing in health benefits; (2) reduction or elimination of other health benefits; and (3) passing costs onto workers in the form of lower wage increases than would otherwise occur. It is unknown at this time if the state would cover added costs or pass the costs on to employees.

Background Information.

Anthem: Anthem reports that to add the coverage would result in a \$0.26 increase per member per month. As of September 2008, 29,578 state employees were enrolled in an Anthem program with 34,205 dependents, for a total of 63,783 members. Assuming continued participation at the current rate and applying the \$0.26 increase per member per month would result in an increase of \$16,583 per month with an annual increase

of \$199,002.

Welborn: The Welborn HMO reports an enrollment of 1,404 employees with 1,825 dependents, for a total of 3,229 members. The proposal would result in no impact to Welborn premiums.

Explanation of State Revenues:

Explanation of Local Expenditures: Local government groups enrolled in the Local Unit Government Employees (LUG) health plan may experience increased costs. LUG participants have the same benefits as state employees, but are part of a separate risk pool. For 2008, there were 22 local government groups enrolled covering about 105 employees.

In addition, school corporations and local governments purchasing health benefit coverage on their own could incur increased premiums. The specific impact is indeterminable, but would depend on current health care coverage. It is unknown if local units would cover this cost or pass the cost on to employees, as cost sharing of health benefit premiums varies widely by locality.

Explanation of Local Revenues:

State Agencies Affected: All.

Local Agencies Affected: Local governments and school corporations.

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